

PennEngineering® - Employee Welfare Letter of Explanation

April 2018

PennEngineering locations all conform to the corporate mandate of fair labor and employment practices. As the company has locations in multiple countries and cultures there are diverse rules and regulations to manage and be cognizant of. Each location has a dedicated human resource and EH&S resource to review, understand and apply as needed the regulations governing employee welfare in the countries we do business in and in direct response to customer specific requirements.

Areas of specificity are outlined in the following sections. If there are any further questions regarding matters of employee welfare or any category within they should be directed to local human resources personnel for dispensation.

Child Labor:

PennEngineering maintains a strict policy forbidding the use of child labor in any facility. Any work done by an employee under the age of 18 would be strictly part of work-study program and under the stringent guidelines of said program.

In addition, PennEngineering requires all suppliers, as part of CQI-19 oversight, to comply with US Federal and as applicable local country laws governing child labor practices.

Diversity:

PennEngineering maintains an open employment policy as it relates to diversity. As such we conform to all US non-discrimination law. Diversity candidates are sought after for key leadership positions.

Competency and Training:

As part of risk mitigation and having employees that are well engaged in all key aspects of our quality management and operational systems, PennEngineering locations work to insure employees in all facets of our business understand the requirements of the positions they hold.

As part of the requirements for certification in ISO 9001, ISO 14001 and IATF 16949 each location maintains a training record for every employee that demonstrates our employees' level of competency to perform the duties they are assigned as well provide a proper road map for continuous and improved training practices.

Employee Motivation and Engagement:

All full-time employees in our manufacturing and support locations participate in various performance based and company performance based incentive programs. PennEngineering works to insure all employees are well aware of all performance targets and each location actively seeks the input of all parties to insure an environment of constant improvement and performance.

As part of our certification for ISO 9001: 2015 and IATF 16949: 2016 PennEngineering maintains consistent communication with our staffs on the performance of each operation, of the requirements of our customers, and of insuring our staff in well engaged in all aspects of our business performance.

Anti-harassment and discrimination:

A key element of our human resource platform at PennEngineering is the stated constructs of zero tolerance for harassment and discrimination. All locations within the company maintain a high-level of respect for all employees. Each location's HR leader and all other location leaders are well versed in our core beliefs. Each new employee has our policies governing this area reviewed in detail with sign-offs demonstrating communication and understanding.

Environmental, Health and Safety:

All locations in the company have either direct or indirect oversight from an EH&S professional. Key constructs of ISO 14001 drive our work regarding areas such as:

- a) Air quality in our plants
- b) Plant emissions standards
- c) Employee use of respiratory systems in confined spaces
- d) Proper venting for our heat treatment and plating operations
- e) Proper disposal of waste materials

In addition to these areas, the company focuses on the safe work place environments being prevalent and foremost in all locations. The use of proper and applicable PPE is enforced in all locations, as is the assurance of mental health through the use and education of the EAP programs.

Wages and Benefits:

PennEngineering seeks to insure all employees are fairly compensated and that our benefits packages are highly competitive. This includes the aspect of paying overtime as applicable and providing benefits for each region that meets or exceeds local and country laws and regulations. All eligible employees are able to participate in the company sponsored third party provider programs at each location.

Working Hours:

No employees will work a 7-day week without canvassing and in some countries will not have this available to them. The standard working day for employees in an 8-hour shift with local and location work rules and standards creating some variation. Any hours worked in excess of 40-hours are compensated at the agreed upon overtime rates.

Any practices mandated by our customers are followed as part of local law observation and the requirements within ISO 9001: 2015 and IATF 16949: 2016 for customer specific requirements in sections 4.2.

Sincerely,

PennEngineering®
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Chris Marx
Chief Commercial Officer